

PSC ISSUES DECISION IN MISSOURI GAS ENERGY RATE CASE

Jefferson City (August 21, 1998)---The Missouri Public Service Commission has cut, by more than half, a rate request filed by Missouri Gas Energy (MGE), granting the natural gas company a rate increase of approximately \$13.2 million. When MGE filed its rate request on October 3, 1997, it sought to increase annual natural gas revenues by approximately \$27.8 million. The Commission's order is effective September 2, 1998.

The Commission determined, through a thorough review of the evidence in this rate case, that MGE had experienced an increase in costs associated with providing service to its customers. In addition, a rate increase was warranted in order for the natural gas company to continue to provide safe and adequate service.

Costs associated with MGE's pipeline replacement safety program as well as costs associated with MGE's Automatic Meter Reading (AMR) project were major factors in the Commission granting a \$13.2 million rate increase.

MGE states the AMR project is designed to enhance customer service by eliminating meter reading errors, estimated meter readings (due to lack of access) and repeated trips to customer premises to read meters. Under this project, MGE will install on each of its meters an electronic sending unit which electronically "reads" the meter on which it is installed. MGE indicated the electronic meter-reading would be faster, more efficient, more accurate and safer than the current manual method.

As part of its rate case, MGE sought to recover costs associated with its billing process improvements project. The Commission said no; stating in its order: "The customers have a right to expect accurate and timely billing as a basic feature of the service they receive. The customers should not have to bear the cost of making corrections to the billing system so that it can meet that minimal basic expectation." The Commission, in its order, acknowledged MGE's efforts to restore its billing system to an acceptable level of accuracy and urged the Company to continue to strive to satisfy basic customer needs.

In this rate case, MGE did not seek to recover in rates, the expenses it incurred to correct past billing errors from the November 1996 to February 1997 time period.

(More)

For a typical residential customer, natural gas rates will increase by approximately \$2 a month under the Commission's decision. The increase to customer bills will be in the commodity charge. MGE sought to increase the natural gas rates of the typical residential customer by approximately \$4.60 a month when it filed its rate request on October 3, 1997.

As part of its case, MGE sought to increase the customer charge of its residential customers from the current charge of \$9.05 a month to \$12.75 a month. The Commission rejected MGE's request stating in its decision: "The Commission finds that current customer charge levels remain just and reasonable. The Commission finds that there is not sufficient evidence in the record to support any of the positions proposed by the parties regarding customer charge levels."

This rate case reflects the costs involved with providing natural gas service (non-gas costs) to customers of MGE. Non-gas costs are reasonable operating and maintenance expenses and a return on investment in plant (such as pipelines carrying the gas to the customer's home). The actual cost of natural gas from wholesale suppliers is unregulated (not regulated by the Missouri Public Service Commission).

As part of this rate case, MGE sought to modify its facilities extension policy. The current tariff states there is no charge to customers for extension past the property line of less than 75 feet. The tariff proposed in this case would have modified how much of the extension is billed to the customer. MGE's proposed tariff was rejected by the Commission because "there is not sufficient evidence to support the amendment to the facilities extension policy proposed by MGE."

The Commission determined MGE's return on equity (return to shareholders for their investment in the Company) should be established at 10.93 percent. MGE sought a return on equity of 12 percent.

The Commission's vote was 3 to 2, with Commissioners M. Dianne Drainer and Connie Murray dissenting in separate opinions.

Missouri Gas Energy serves approximately 476,000 natural gas customers in western Missouri.

---0---